

Solar Firm Aided by Federal Loans Shuts Doors

By MATTHEW L. WALD of the New York Times

August 31, 2011

WASHINGTON — A Silicon Valley maker of solar power arrays that was started with high hopes and \$527 million in loans from the federal government said on Wednesday that it would cease operations. The failure of the company — and the loss to taxpayers — is likely to renew the debate in Washington about the wisdom of clean energy subsidies and loan guarantees.

President Obama praised the company, Solyndra, for its advanced technology during a visit last year. But in a statement on Wednesday, Solyndra said its business had run into trouble because of difficult global business conditions, including slowing demand for solar panels, and stiff competition.

The Energy Department, which approved the funding, said China's subsidies to its solar industry were threatening the ability of Solyndra and other American manufacturers to compete. The price of a solar array, measured by cost per watt of capacity, has fallen 42 percent since December 2010, the agency said.

Two other American solar companies, Evergreen Solar and SpectraWatt, also sought bankruptcy protection in August, and both said competition from Chinese companies had contributed to their financial problems.

In the case of Solyndra, some experts said that regardless of the competition, the company's unique designs, which were expensive to manufacture, were to blame for its failure.

Solyndra was promised loans of up to \$535 million under a guarantee program authorized by Congress as part of the 2009 stimulus package. The Energy Department has made more than 40 promises of guarantees, of which Solyndra was the first. It has committed \$18 billion in guarantees and expects to allocate several billion dollars more by the time the program finishes at the end of September.

The government calculates premiums for the guarantees, essentially a loan fee based on the risk of default, but it picks up the cost of the premiums for the companies in the subsidy program. By that yardstick, it has spent \$2.4 billion in credit subsidies for the program.

Solyndra's troubles have been growing for some time. Republican budget-cutters in Congress have viewed it as a model of poor government investment.

"In an apparent rush to push stimulus dollars out the door, the Obama administration wasted \$535 million in taxpayer funds in guaranteeing a loan to a firm that has proven to be unviable in the global market," said Representative Cliff Stearns, the Florida Republican who is chairman of an investigative subcommittee of the House Energy and Commerce Committee.

He said the Energy Department might have authorized the guarantee because an Oklahoma oil man who was a donor to the Obama campaign, George Kaiser, was an investor in the project. In a joint statement, Mr. Stearns and Representative Fred Upton of Michigan, the chairman of the committee, said, "We smelled a rat from the onset."

But the Energy Department dismissed that assertion, saying that Solyndra applied for federal help during the Bush administration and that Obama-era officials merely finished the process the Republicans had begun.

The department says government subsidies are essential to keep the United States competitive in renewable energy, and not all companies will succeed.

"The project that we supported succeeded," insisted Damien LaVera, a spokesman for the Department of Energy.

"The facility was producing the product it said it would produce, and consumers were buying the product," he said. "The company struggled because the market has changed dramatically."

Although the government typically guarantees loans made to a company by a commercial bank, that was not the case for Solyndra. Solyndra borrowed the money from the Federal Financing Bank, part of the Treasury Department, so in effect, the government was lending the money to the company directly. The Energy Department gave Solyndra a conditional guarantee for \$535 million, in multiple stages, contingent on reaching a variety of milestones, and to date, it had received \$527 million.

Mr. LaVera held out the hope that in a bankruptcy reorganization, Solyndra or some other company would run the factory profitably and that not all the taxpayer investment would be lost. In addition to the government, private investors put about \$1 billion into the company. More than 1,000 employees were laid off.

Although the Obama administration is under pressure from energy companies to extend the guarantee program, it is a likely target for Congressional budget-cutters.

“Solyndra is a black eye for the program,” said Matthew A. Feinstein, an analyst at Lux Research. “And that means bad things for the solar industry in the United States.”

Solyndra, which once had plans to sell stock to the public, was a darling of policy makers. When it broke ground in Fremont, Calif., Arnold Schwarzenegger, who was then governor, and Steven Chu, the federal secretary of energy, wielded ceremonial gold-colored shovels.

Solyndra’s problem, according to outsiders, was that the product looked better when it was conceived than when it hit the market. Solyndra’s design avoids the use of silicon, a commodity that was selling at very high prices in 2009 when the loan guarantee was approved but that has crashed since then.

The design also sought to cut costs with an innovative cylindrical design that reduced the labor required for installation. As the sun moves across the sky, the light hits a different facet of the cylinder. But the capital costs for manufacturing were high.

Barry Cinnamon, the chief executive of Westinghouse Solar, a competitor, said Solyndra and Evergreen Solar had tried new designs that turned out not to be as good as standard flat panels.

“In both cases, they made a bad bet,” he said.

Evergreen, based in Massachusetts, received tens of millions of dollars in state loans and grants in exchange for opening a factory there. In January, it announced that it was closing that factory and moving manufacturing to China. But a few weeks ago, it concluded that even the move offshore was not enough to save the company.

SpectraWatt, a small solar company near Poughkeepsie, N.Y., ceased operations earlier this year and declared bankruptcy on Aug. 19. The company, which was created as a spinoff from Intel, the computer chip maker, cited poor market conditions created by China’s subsidies to its manufacturers.

Ken Zweibel, director of the Solar Institute at the George Washington University, said solar companies in China and Germany were receiving big subsidies from their governments and were pressuring American companies.

“There’s definitely a crisis in traditional technology,” he said. But Solyndra, he said, was “a wild-card technology,” and both Solyndra and Evergreen products had “questionable attributes.”



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To: Assembly Committee on Energy and Utilities
From: Todd Stuart, Executive Director
Wisconsin Industrial Energy Group, Inc.
Re: Support for Assembly Bill 146
Date: September 6, 2011

Thank you, Mr. Chairman and members of the Committee, for the opportunity to present comments on this important subject. Assembly Bill 146 deals with the use of renewable resource credits to comply with state's renewable mandate. The Wisconsin Industrial Energy Group, Inc. (WIEG) appreciates the efforts of Rep. Severson and offers these comments on behalf of its members in support of AB 146.

WIEG is a non-profit association of 30 of Wisconsin's largest energy consumers. The group has long advocated for policies that support affordable and reliable energy. Since the early 1970s, WIEG has been the premier voice of Wisconsin ratepayers and an engine for business retention and expansion. WIEG members represent most major Wisconsin manufacturing industries including paper, printing, chemicals, food processing, and metal casting.

Historically, Wisconsin has been a state with low-cost energy. Rates have been growing, recently, in part due to needed investments in new generating and transmission infrastructure.

Under current law, the state's utilities are required to generate ten percent of their electricity from renewable sources by the end of 2015. When a utility generates one megawatt hour of qualified renewable energy, it receives one Renewable Energy Credit (REC). The credits can be applied to meeting the utility's renewable mandate, or they can be banked for future compliance or sold/traded to other utilities. However, if the RECs have not been used within four years, under current law the credits expire.

AB 146 would simply eliminate the four-year "shelf-life" of RECs. As the state's largest energy consumers, WIEG member companies are supportive of protecting the investments made by Wisconsin ratepayers in renewable energy and reducing the compliance costs of the renewable mandate. Most utilities took early action to meet these obligations and therefore over-comply with the renewable mandate and have their credits banked. Most utilities are on track to meet the 2015 deadline, but some may need to make major investments for compliance in 2016 or 2017.

Customers have been paying for the installation of the new renewable infrastructure, and therefore should be able to retain the value of the RECs. AB 146 would therefore provide regulatory flexibility and cost relief for Wisconsin's ratepayers.

We respectfully ask that you support AB 146 to protect the ratepayer's significant investment in renewables. Thank you and I would be glad to answer any questions you may have at this time.

RENEW Wisconsin

222 S. Hamilton Street, Madison, WI 53703 • (608) 255-4044 • www.renewwisconsin.org



Statement of RENEW Wisconsin in Opposition to AB 146 Assembly Energy and Utilities Committee September 6, 2011

Good morning, my name is Michael Vickerman. I am here to represent RENEW Wisconsin, a nonprofit advocacy and education organization based in Madison. Incorporated in 1991, RENEW acts as a catalyst to advance a sustainable energy future through public policy and private sector initiatives. We have over 300 total members, and more than 100 businesses around the state producing renewable energy or building renewable energy systems. A list of our business members accompanies this testimony

On behalf of our members and the many businesses and individuals who support the continued expansion of Wisconsin's renewable energy marketplace, RENEW Wisconsin is here to express opposition to AB 146. If passed as is, AB 146 would water down the state's Renewable Energy Standard by extending the shelf life of an unused renewable energy credit to infinity. As the accompanying graphic shows, no other state in the Upper Midwest allows their utilities' renewable energy credits to be banked in perpetuity. In the same graphic, one can also see how weak Wisconsin's renewable energy standard has become in relation to those of neighboring states.

What is the problem here that this so-called "tweak" would solve? Other utilities in the region face stiffer renewable energy supply requirements than the utilities in Wisconsin, yet you don't see them beseeching special treatment that allows them to bank unused renewable generation for decades. Giving into their request would effectively give utilities between a 10-year vacation from actually adding a new renewable energy source to stay in compliance with their Act 141 requirements. All the Wisconsin utilities would need do to remain in compliance would be to fill out some paperwork at the end of the year and buy a new batch of elderly credits out of petty cash. How many jobs will that create? How many dollars in landowner and local government revenues will that generate?

The answer is none.

Another thing that extending the shelf life of unused renewable credits will not do is save ratepayers money. The bill let the utilities put off the day when they would actually need to achieve a renewable energy content of 10% in real time, well into 2020's by my calculations. In so doing, the benefits from continued investments in renewable generation, such as technology improvements, capital cost reductions and protection from fossil fuel cost increases, would not be passed along to ratepayers. Meanwhile, the Wisconsin

businesses that generate renewable electricity for Wisconsin electricity customers in real-time—and there are many, as this table of biogas installations comprehensively shows--will in all likelihood downscale their presence in Wisconsin and deploy their resources in other states with livelier renewable energy markets. The impact of this bill's passage will be particularly devastating to the state's agricultural and food processing industries, because the renewable generation they produce from their wastes will not be needed as an energy source for years to come.

It's worth repeating that no other state has adopted such relaxed terms for banking renewable energy credits. These states understand that the principal effect of such a change would be to diminish the pace and scale of renewable energy installation activity. They have no desire to put a brake on one of the few economic sectors with the potential for additional growth. But they're not going to complain if a misguided neighboring state commits this folly.

Let me put this in simple terms: this bill is nothing more than a utility-led effort to drain all the life out of Wisconsin's renewable energy standard while leaving the law on the books. Under this bill, 2005 Act 141 will effectively become a sham law, devoid of any discernible effect. It will undermine the renewable energy marketplace, which in the last five years has been a source of vitality and confidence for the state's economy. Once this particular marketplace goes away, there is nothing to stop the state's energy economy from becoming a lifeless backwater. Is this the vision you have for Wisconsin's future?

Respectfully submitted,

Michael Vickerman,
Executive Director

A Comparison of State Renewable Energy Standards in the Upper Midwest

Minnesota (excluding Xcel)

RES : Yes, adopted in 2007

Target / Deadline: 25% by 2025

In-State Source Requirements: No

REC Banking Limit: 4 years

.....

Xcel Energy (in MN)

RES Target/Deadline: 30% by 2020

Note: Xcel may not sell REC's to other MN utilities until 2021

Wisconsin

RES: Yes, adopted in 2006

Target / Deadline: 10% by 2015

In-State Source Requirements: No

REC Banking Limit: 4 years (legislation pending to remove the 4-year limit)

Percentage of In-State Generation from Wind: 1.5% (est.)

Illinois

RES: Yes, adopted in 2007

Target / Deadline: 25% by 2026

Note: RES procurement applicable only to investor-owned utilities (Ameren and Exelon)

In-State Source Requirements: Yes

REC Banking Limit: No banking

Iowa

RES: Yes, but RE development has surpassed original mandate

REC Banking Limit: N/A

Percentage of In-State Generation from Wind: 15.4% (2010)

Michigan

RES: Yes, adopted in 2008

Target / Deadline: 10% by 2015

In-State Source Requirements: Indirect requirements on Detroit Edison and Consumers Power

REC Banking Limit: 3 years

Indiana

RES: Yes, a voluntary Clean Energy Portfolio Goal adopted in 2011

Target / Deadline: 10% by 2025

In-State Source Requirements: Yes

REC Banking Limit: Rules not yet adopted

Ohio

RES: Yes, adopted in 2008

Target / Deadline: 12.5% by 2024

In-State Source Requirements: Yes

REC Banking Limit: 5 years

RENEW Wisconsin Business Members

August 1, 2011

A-A Exteriors, Winneconne
Advanced Custom Geothermal, Kiel
AgSun Corporation, Janesville
Alliant Energy, Madison
ALT Energy, Sussex
American Transmission Co., Madison
Appleton Solar LLC, Appleton
Artha Renewable Energy, Amherst
Badger Ridge Piedmontese, Barneveld
Bleu Mont Dairy/Big Sky Organics, Blue Mounds
Blue Marble Solar, North Freedom
Building Energy Controls, LLC, Elroy
Cardinal Heating & Air, Sun Prairie
Carlson Mapping & Analysis, Sun Prairie
Chet Gerlach Government Consulting, Madison
Chippewa Valley Alternative Energy, Chippewa Falls
Citizens Utility Board, Madison
Community Green Energy, LLC, Lake Geneva
Convergence Energy LLC, Lake Geneva
Cosmic Walker, Suring
Craftsman Electric, LLC, Whitewater
Crave Brothers Farm, Waterloo
Cullen Weston Pines & Bach, Madison
Decton Iron Works, Butler
Driftless Solar, Spring Green
EcoManity, Elkhart Lake
Emerging Energies, LLC, Hubertus
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Energy Center of Wisconsin, Madison
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Energy Law Wisconsin, Sun Prairie
Enmac Energy Consulting, Viroqua
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Green Leaf Inn LLC, Lake Geneva
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Green Sky Energetics, Manitowoc
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Invenergy, Brownsville
IVI North, Greenville
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Kettle View Renewable Energy, Random Lake
L&S Technical Assoc., Spring Green
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North Wind Renewable Energy, LLC, Stevens Point
Orchid International, Monroe
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Pieper Electric, Milwaukee
Podeweltz Repair Service, Merrill
Practical Solar, Wautoma
Prairie Solar Power & Light, Steuben
Prairie View Power, LLC, Spring Green
Productive Energy Solutions, Madison
Progressive Law Group, Madison
Quantum Dairy, Weyauwega
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Ritger Law Office, Random Lake
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Sand Lake Stock & Nursery, Dresser
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Sol Rayo, Madison
Solarwinds, Bloomer
Springdale Farm, Plymouth
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Sun & Daughters Solar, LLC, Sugar Camp
Sunny Solutions, Berlin
Symbiont Engineering, West Allis
Synergized Solar, Inc., River Falls
Timmermans Talents, Platteville
Tom Brown Architect, Stevens Point
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Operating Biogas Electric Installations in Wisconsin

Anaerobic Digesters Serving Farms, Food Processing Plants and Wastewater Treatment Facilities

September 2011

Installation	County	KW	Principal feedstock	Year	Installer	Utility
Dane County Community Digester	Dodge	2000	Dairy manure	2011	Clear Horizons	Alliant
N.E.W. Organic	Brown	1200	Food production wastewater	2010	GHD	WPS
Green Valley Dairy	Shawano	1200	Dairy manure	2006, 2009	Northern Biogas	WE
Maple Leaf Dairy West	Manitowoc	1200	Dairy manure	2009	GHD	WPS
Holsum Dairy (Elm)	Calumet	1200	Dairy manure	2007	GHD	WPS
Holsum Dairy (Irish)	Calumet	900	Dairy manure	2003	GHD	WPS
Norswiss Farms	Barron	848	Dairy manure	2006	Microgy	Dairyland
Beaver Dam WWTP	Dodge	800	Food production wastewater	2011	ATI	Alliant
Dairy Dreams	Kewaunee	800	Dairy manure	2010	GHD	WPS
Pagel's Ponderosa	Kewaunee	800	Dairy manure	2008	GHD	WPS
Wild Rose Dairy	Vernon	750	Dairy manure	2005	Microgy	Dairyland
Five Star Dairy	Dunn	750	Dairy manure	2005	Microgy	Dairyland
Grotegut Dairy	Manitowoc	710	Dairy manure	2009	GHD	WPS
Central Sands	Juneau	700	Dairy manure	2008	GHD	WPS
City Brewing/ Gundersen Lutheran	La Crosse	633	Food production wastewater	2009	ATI	Xcel
Crave Bros.	Dodge	633	Dairy manure	2007, 2009	Clear Horizons	WE
Maple Leaf Dairy East	Manitowoc	600	Dairy manure	2009	GHD	WPS
Statz Bros.	Dane	600	Dairy manure	2009	GHD	Alliant
Norm-E-Lane	Taylor	600	Dairy manure	2009	GHD	Clark Electric Cooperative (Dairyland)

Lake Breeze ⁽¹⁾	Fond du Lac	600	Dairy manure	2006	GHD	WE
Quantum Dairy	Waupaca	450	Dairy manure	2005	GHD	WE
Sheboygan WWTP	Sheboygan	400	Municipal wastewater	2010	Unknown	Alliant
UW-Oshkosh Digester ⁽²⁾	Winnebago	400	Food/Yard clippings	2011	BioFerm/ Viessmann	WPS
Vir-Clar Farm	Fond du Lac	350	Dairy manure	2004	Energies Direct	Alliant
Montechevré-Betin	Lafayette	335	Food production wastewater	2010	Procorp/ Clear Horizons	Alliant
Bach Farms	Taylor	300	Dairy manure	2010	GHD	Taylor Electric Cooperative (Dairyland)
Clover Hill	Fond du Lac	300	Dairy manure	2007	GHD	WE
Neenah-Menasha Sewage Commission	Winnebago	300	Food production wastewater	2002		WPPI Energy/ Menasha Utilities
Sunrise Dairy	Oconto	250	Dairy manure	2006	Ambico	WPS
Volm Farms	Washington	225	Dairy manure	2009	GHD	WE
Double S Dairy	Fond du Lac	200	Dairy manure	2004	GHD	Alliant
Deere Ridge	Portage	140	Dairy manure	2001	GHD	Alliant

¹ Generator off-line due to recent fire.

² On-line September 2011.

Prepared by RENEW Wisconsin

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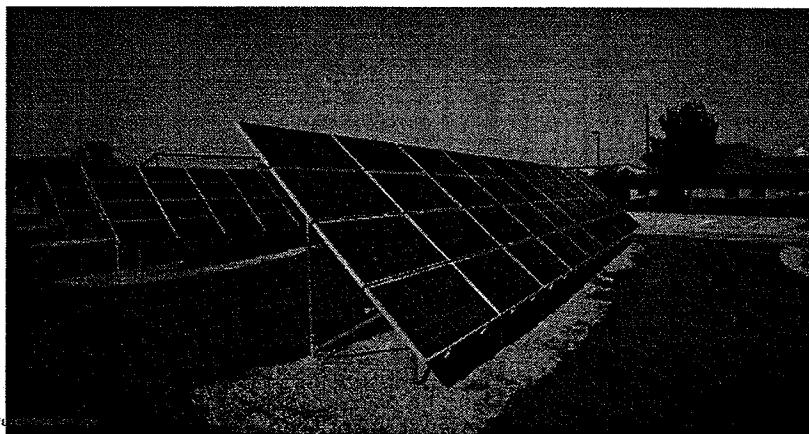
Fox Valley sprouts with green energy

Financial incentives help shorten payback periods for systems

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Michael Vickerman and one other person recommend this.



The solar panels on the grounds of the Town of Menasha Municipal Complex on Thursday. Neenah will install a \$200,500 solar electric system on its public works garage next month. / Sharon Cekada/The Post-Crescent

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Written by
Duke Behnke
Post-Crescent staff writer

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NEENAH — Neenah will install a \$200,500 solar electric system on its public works garage this month, joining a growing list of public agencies that have invested in renewable energy.

Ald. John Ahles, co-chairman of the Sustainable Neenah Committee, said the 42-kilowatt solar system would demonstrate the value of renewable energy projects to city leaders and the greater Fox Valley community.

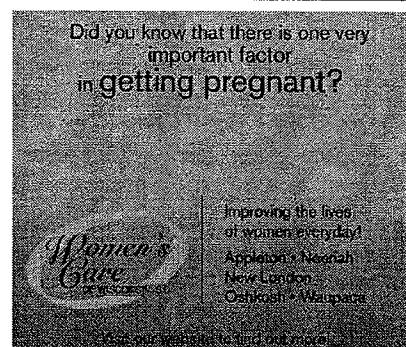
The system will generate 25 percent of the facility's electrical use.

"This will give the (Common) Council and future councils the ability to look at this and understand that this technology works," said Ahles, who installed a solar system at his home in 2007. "It's not some black magic."

Focus on Energy

Wisconsin investor-owned energy utilities must collectively fund Focus on Energy by contributing 1.2 percent of their revenues to the program. In addition, municipal and cooperative utilities may choose to participate in Focus on Energy. At current funding levels, Focus on Energy receives about \$100 million annually to assist eligible businesses and residents with the implementation of energy efficiency and renewable

Green energy systems have taken root throughout the Fox Valley, in large part because of financial incentives that shorten the payback periods.



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Neenah secured a \$100,000 grant from We Energies and a \$62,500 grant from Focus on Energy, lowering the city's cost to \$38,000 and shortening its payback period to eight years.

Earlier this year, Fox Valley Lutheran High School in Appleton used \$150,000 in grants to help pay for a \$200,000 rooftop solar electric system. The 36-kilowatt system has an estimated payback period of seven years.

The Outagamie County Regional Airport in Greenville spent nearly \$1 million last year for two rooftop solar systems to generate electricity and heat water. The cost was offset by aid from the Wisconsin Bureau of Aeronautics, the U.S. Department of Energy, We Energies and Focus on Energy.

"We expect a return on investment in less than five years," said Kim Sippola, marketing manager for the airport.

The Town of Menasha was one of the municipal leaders in solar energy. Its 28-kilowatt solar electric system, which benefited from more than \$150,000 in incentives, has been in operation since June 2009.

"Our solar panels produce about 8 percent of the electrical power we need for our municipal complex on average and up to a maximum of 40 percent on the weekends when power usage is lower," said George Dearborn, the town's director of community development.

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TESTIMONY TO THE ASSEMBLY COMMITTEE ON ENERGY AND UTILITIES

JEFF VERCAUTEREN
ON BEHALF OF THE WISCONSIN ENERGY
BUSINESS ASSOCIATION*

AB-146
SEPTEMBER 6, 2011

Chairman Honadel and members of the Committee, thank you for the opportunity to testify on AB-146. I am testifying today on behalf of the Wisconsin Energy Business Association ("WEBA"), a trade association of over 60 businesses and organizations promoting reliable, secure, and cost-effective energy solutions to strengthen our economy and support market-driven innovation and supply chain growth in the energy sector. Our members include TowerTech, Badger Transport, Bonestroo Engineering, and Wind Capital Group.

The Wisconsin Energy Business Association opposes AB-146, a bill that would eliminate manufacturing and construction jobs in our state, raise energy costs, and gut our state Renewable Portfolio Standard (RPS), thereby *stifling economic development* in the renewable energy industry in our state. The practical effect of the bill would be that very few major new renewable energy projects would be constructed in Wisconsin.

Currently, renewable energy credits (RECs) have a four-year expiration after the year generated. This encourages new renewable energy development by limiting the banking of large numbers of credits for use in future years. Nearly all states with an RPS limit credit banking through an expiration date or some other mechanism. Without some type of limiting mechanism, utilities could essentially bank enough credits generated from resources located out-of-state or even in foreign countries, such that they would not need to create or purchase any renewable energy in future years.

This bill would virtually *eliminate the renewable energy industry in Wisconsin*, pushing jobs, investment, and economic development to neighboring states with more favorable renewable energy policies. The bill could even create jobs in foreign countries, thereby stealing jobs from Wisconsin workers and outsourcing yet another industry from our state.

Clearly, this bill is a *drastic step in the wrong direction for our state*. Creating such an inhospitable market for renewable energy would have immediate detrimental consequences to the state economy and well-being, including (1) the loss of in-state manufacturing, transportation, construction, and project maintenance opportunities; (2) the loss of jobs in businesses directly or indirectly connected to renewable energy development; (3) the loss of project revenues to host landowners, neighboring residences, and local governments; and (4) increased dependence on both electricity imports and increasingly expensive out-of-state fossil fuel sources. The bill would also make Wisconsin an outlier in energy policy, thus decreasing our ability to compete with neighboring states.

Renewable energy development in Wisconsin has produced well-documented benefits to in-state manufacturers, builders, transportation businesses, and consulting engineers, as well as to rural landowners and governments. Wisconsin's largest renewable energy facility, We Energies' 88-turbine, 145-megawatt Blue Sky Green Field project, generated about 400,000 job-hours of construction activity. That figure is likely to be eclipsed by We Energies' newest project, the 90-turbine, 162-megawatt Glacier Hills installation in Columbia County, which will begin operation later this year. Combined, both projects represent about \$700 million in capital investment and will account for about 850,000 job-hours of construction work.

The counties and towns hosting Wisconsin's four largest operating renewable energy installations—Blue Sky Green Field, Forward Energy Center, Cedar Ridge, and Butler Ridge—receive more than \$1.5 million in payments in lieu of taxes each year. These same governmental units receive additional compensation for hosting the transmission-related infrastructure associated with wind generation. Landowners hosting the 251 turbines in these projects receive more than \$1.2 million per year combined. All told, these four renewable energy projects pump more than \$3 million annually to local governments, host landowners, and neighboring residents.

Further, a number of Wisconsin companies directly participate in the construction of in-state renewable energy projects. Over 2,000 existing jobs in our state are at stake, in addition to \$1.8 billion of new investment and two million construction job hours in the near-term.

Renewable energy projects provide an important hedge against increased energy costs, as well as fossil fuel price and security volatility. Wisconsin currently obtains over 70 percent of our energy from fossil fuels such as coal and natural gas. This *unbalanced energy portfolio* that relies heavily on one type of energy generation places our state at risk of price fluctuations, supply disruptions, and regulatory risks. Further, it forces our state to rely almost entirely on out-of-state sources of energy, as we have no fossil fuels in our state.

One argument made against renewable energy is that it increases electricity rates. That claim is completely without merit. In fact, most studies to date have shown that renewable energy generation does not have a marked impact on electricity rates. Instead, significant rate increases in our state over the past decade have largely been driven by the cost of new coal plants and *expensive retrofits to keep old, inefficient coal plants running*.

Wisconsin ratepayers have been forced to spend over \$2 billion on coal plant retrofits over the past six years alone. Earlier this year, the Public Service Commission of Wisconsin approved another \$627 million for environmental retrofits at the Columbia Generating Station. These costly repairs are completely without the benefit of increased generation capacity. Renewable energy costs pale in comparison to the cost to continue to operate dirty, inefficient, and risky fossil fuel generation.

As a Minnesota Power spokesperson said recently, "Our rate increases have been largely the result of large environmental retrofit projects to reduce emissions at our largest generating facilities." These types of costly retrofits will continue to be required for Wisconsin coal plants for many years into the future as part of ongoing requirements to meet mercury, sulfur, nitrogen, particulate, ash, water, and other health and safety regulations.

Even in terms of the construction and operation cost of new power plants, wind energy is often *cost-effective with natural gas*, which is currently the lowest-cost fossil fuel energy source. Xcel Energy recently testified before the Minnesota Public Utilities Commission that bids for new wind energy generation were comparable with bids for new natural gas generation.

Finally, if renewable energy truly was driving the increase in electricity rates, any utility or customer organization has the power under existing state law to request a waiver of the RPS requirements from the Public Service Commission of Wisconsin. However, in the five years that the RPS has existed in our state, *no utility or customer organization has requested such a waiver*. Therefore, the case cannot possibly be supported that renewable energy is significantly increasing electricity rates.

Wisconsin continues to fall behind neighboring states in renewable energy development. Indiana currently has over 1,000 megawatts of installed wind energy capacity, Minnesota and Illinois each have over 2,000 megawatts, and Iowa has over 3,000 megawatts. Wisconsin has less than 500 megawatts of installed wind energy capacity. Already this year, three wind projects representing 350 megawatts of additional capacity have been canceled or suspended due to the continuing negative regulatory climate in Wisconsin.

Renewable energy component manufacturers seek locations with friendly regulatory climates near robust markets. States such as Iowa, Kansas, and Texas that have embraced renewable energy have reaped the benefits in terms of job creation, investment, and economic development.

Further, nearly every state with an RPS places some limitation on the ability of utilities to bank credits. The purpose of banking is to provide utilities with flexibility through a four-year window to meet credit requirements, while assuring that a utility cannot undermine the in-state economic development and energy independence goals of an RPS by stockpiling cheap credits from other states or even foreign countries.

Michigan has a three-year credit expiration date, and Minnesota and Ohio each have a five-year expiration date. Iowa and Illinois do not have renewable energy credit tracking systems, meaning that credits cannot be banked. Unlimited banking in Wisconsin would encourage renewable energy developers and manufacturers to bring economic development to neighboring states with favorable regulatory policies.

Accordingly, the Wisconsin Energy Business Association respectfully requests that the Committee not recommend this bill.

Thank you. I would be glad to answer any questions that Committee members may have.

***THE WISCONSIN ENERGY BUSINESS ASSOCIATION IS A COALITION
ORGANIZED BY WIND ON THE WIRES AND RENEW WISCONSIN. FOR
ADDITIONAL INFORMATION, PLEASE CONTACT LEE CULLEN OR
JEFF VERCAUTEREN, 608.251.0101,
CULLEN@CWPB.COM, VERCAUTEREN@CWPB.COM.**



September 6, 2011

Statement of Wind on the Wires on Wisconsin Assembly Bill AB-146 and the Future of Renewable Energy and the Wind Energy Industry in Wisconsin

Wind on the Wires (WOW) is making this statement on Wisconsin Assembly Bill AB-146 introduced in the Assembly earlier this year. The bill as drafted would essentially gut Wisconsin's existing Renewable Portfolio Standard (RPS). The practical effect of the bill would be that very few major new renewable energy projects would be constructed in Wisconsin, threatening the state's economic development, job creation, and clean energy future.

Wind on the Wires is an organization that includes businesses providing goods and services to the wind industry, wind developers, and clean energy advocates. Our mission is to overcome the barriers to bringing wind power to market by addressing technical and regulatory issues, as well as through education and public outreach. We are a key regional partner of the American Wind Energy Association and work closely with them on wind power issues. For more information please visit our website at www.windonthewires.org.

We strongly recommend that this bill not be approved as it solves no known problem in Wisconsin and seeks only to roll-back policies on renewable energy that have served the state well and are otherwise benefitting Wisconsin residents with cleaner air and lower prices for electricity. In addition, Wisconsin has a number of thriving and growing businesses in the renewable energy field, especially in the renewable energy supply chain and wind turbine component manufacturing. This bill threatens the livelihood of those companies and the workers they employ in the state.

AB-146 will reduce the number of jobs in Wisconsin and will send jobs to neighboring states. We call on the Wisconsin Assembly to not act on this bill and instead to reconsider efforts to CREATE jobs in the renewable energy and wind energy sectors in Wisconsin.

The specifics of AB-146 focus on renewable energy credits, used by utilities to comply with the state Renewable Portfolio Standard (RPS). Currently, renewable energy credits (RECs) have a four-year expiration. This encourages new renewable energy development by limiting the banking of large numbers of credits for use in future years while at the same time providing flexibility for the state to meet its renewable energy goals. Nearly all states with an RPS limit credit banking through an expiration date or some other mechanism. Without some type of limiting mechanism, utilities could bank enough credits such that they would not need to create or purchase any renewable energy in future years.

AWEA and WOW are opposed to AB-146 and are also calling for an immediate



suspension of the repeated efforts to erode renewable energy at large and the wind energy industry in particular. This bill is the latest in a string of attacks on the Wisconsin wind energy industry. Specifically:

- Introduction of special session bill SS-SB-9/SS-AB-9 that would have required unreasonable setbacks of 1,800 feet from property lines.
- Suspension of the uniform wind siting rules (PSC 128) by the Joint Committee for Review of Administrative Rules.
Recently enacted state law regarding large hydro (SB-81) that allows large Canadian hydroelectric generation to count toward the RPS, displacing in-state wind generation and other forms of local renewable energy generation.

Wisconsin has almost 500 megawatts (MW) of operating wind power capacity on-line today, but only 54 MW were added in 2009 and only 20 MW were added in 2010. The existing projects bring direct economic benefits to Wisconsin each and every day – not to mention cleaning the air we breathe. And each year, these operating wind projects provide:

- Annual property tax payments by wind project owners of \$870,000
- Annual land lease payments to property owners of \$1.35 million

However, Wisconsin continues to fall behind our neighboring states in wind power development:

- Indiana has over 1,000 MW of wind projects installed
- Minnesota and Illinois both have over 2,000 MW installed
- And Iowa has well over 3,000 MW installed, producing 20% of the **state's electricity and reaping the benefits of thousands of jobs in the wind energy industry in the state.**

Wisconsin has new wind projects ready for development, but these projects will never see the light of day if the state cannot establish a stable set of siting requirements and keep intact the RPS law. Already this year, three utility-scale wind projects have been canceled or suspended due to continued regulatory uncertainty in the state. These projects would provide a vital hedge against fossil fuel price volatility and help keep energy rates lower. Wisconsin currently relies on coal and natural gas for 73% of its energy needs. This over-reliance on fossil fuels puts the state at risk of inevitable fuel price spikes in the future. Wisconsin has no fossil fuels, and every year exports billions of dollars to pay for coal and natural gas.

Further, old, inefficient coal plants place an increasing cost burden on Wisconsin ratepayers due to the need for extensive repairs and retrofits. Since 2004, Wisconsin utilities have spent over \$2 billion of ratepayer money for these repairs and retrofits.

As a Minnesota Power spokesperson recently said, "Our rate increases have been largely the result of large environmental retrofit projects to reduce emissions at our

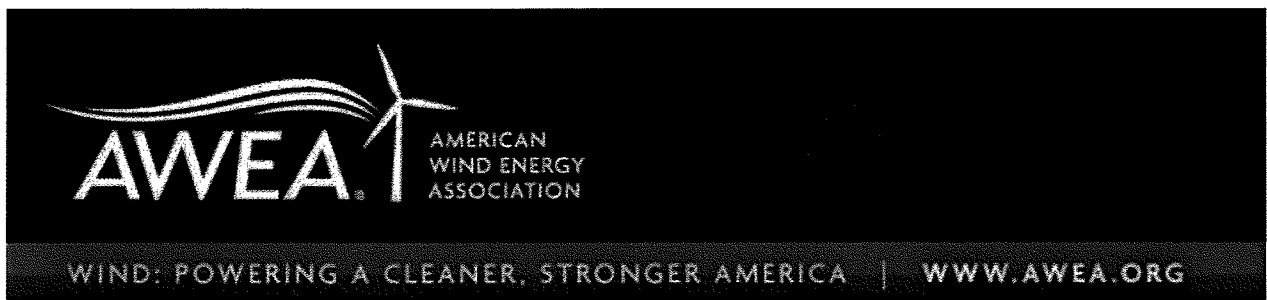


largest generating facilities." Indeed, many Wisconsin coal plants will continue to require additional costly retrofits to meet compliance requirements for sulfur dioxide, nitrogen oxide, mercury, water usage, fine particulates, ash disposal, and other impacts on health and safety.

All of this is in sharp contrast to the cost to ratepayers of wind power, which has fixed capital costs and no fuel costs.

We know Wisconsin is serious about job creation and economic development. As such, it must look to establish a stable environment for wind project development and for wind turbine component manufacturing in the state. Turbine manufacturers and makers of major components want to locate factories (and jobs) close to where projects are being installed. States that are "open for business" to the wind energy industry, like Iowa, Kansas, and Texas, are reaping the benefits of associated manufacturing jobs as well. In Wisconsin over 2,000 existing jobs that directly or indirectly support the wind energy industry are at stake, as well as \$1.8 billion dollars of new wind project investment and over 2 million construction job hours in the next few years.

We urge the committee to reject this legislation, and look forward to working with this legislature on policies that will grow Wisconsin's economy and secure its clean energy future.



FOR IMMEDIATE RELEASE
May 26, 2011

Contact: Ellen Carey (print), (405) 203-9535

Fresh attack on Wisconsin voters' desire for a renewable energy standard would kill wind projects and sap state's economy, say wind energy advocates

Very few major new renewable energy projects would be built in Wisconsin, threatening the **state's economic development, job creation, and clean energy future, if a bill now facing action** in the Wisconsin Assembly is enacted, said the American Wind Energy Association.

Those would be the practical effects if Wisconsin Assembly Bill AB-146, introduced in the Assembly on May 20, were to pass.

A recent statewide public opinion poll, conducted by St. Norbert College for Wisconsin Public Radio, found that residents of Wisconsin overwhelmingly endorsed wind power, despite recent action by the state's legislature that has caused the developers of two wind farms to shelve their projects.

Wisconsin has a number of thriving and growing businesses in the renewable energy field, especially in the renewable energy supply chain and wind turbine component manufacturing. This bill would threaten those companies and the workers they employ in the state.

This week during a CEO panel at AWEA's annual WINDPOWER Conference & Exhibition, Steve Trenholm, Wisconsin resident and CEO of E.ON Climate and Renewables North America and chair of AWEA's Legislative Committee, told thousands of wind industry members that the industry has tried to work with the legislature, but that, "in Wisconsin, we're seeing onerous proposals and direction. The industry has tried to work with leadership there and has not met with much success.

"From our perspective, we're active in other states in the Midwest for development. Investment that might be needed in their state is basically going other places. They're getting left behind." Trenholm added, **"We would welcome the chance to sit down and talk with the governor and policy leaders in Wisconsin."**

The specifics of AB-146 focus on renewable energy credits, used by utilities to comply with the state Renewable Portfolio Standard (RPS). Currently, renewable energy credits (RECs) have a four-year expiration. This encourages new renewable energy development by limiting the banking of large numbers of credits for use in future years while at the same time providing

flexibility for the state to meet its renewable energy goals. Nearly all states with an RPS limit credit banking through an expiration date or some other mechanism. Without some type of limiting mechanism, utilities could bank enough credits such that they would not need to create or purchase any renewable energy in future years.

Wisconsin's existing wind projects bring direct economic benefits to Wisconsin each and every day – not to mention cleaning the air residents of the state breathe. Each year, these operating wind projects provide:

- Annual property tax payments by wind project owners of \$870,000
- Annual land lease payments to property owners of \$1.35 million

Wisconsin has new wind projects ready for development, but these projects may not come to fruition if the state cannot establish a stable set of siting requirements and keep intact the RPS law. Already this year, three utility-scale wind projects have been canceled or suspended due to continued regulatory uncertainty in the state. These projects would help keep electricity rates lower.

#

AWEA is the national trade association of America's wind industry, with more than 2,500 member companies, including global leaders in wind power and energy development, wind turbine manufacturing, component and service suppliers, and the world's largest wind power trade show. AWEA is the voice of wind energy in the U.S., promoting renewable energy to power a cleaner, stronger America. Look up information on wind energy at the [AWEA Web site](#). Find insight on industry issues at AWEA's blog [Into the Wind](#). Join AWEA on [Facebook](#). Follow AWEA on [Twitter](#).

A Comparison of State Renewable Energy Standards in the Upper Midwest

Minnesota

RES : Yes, adopted in 2007

Target / Deadline: 25% by 2025

In-State Source Requirements: No

REC Banking Limit: 4 years

Treatment of Hydro: Eligible up to 100 MW

.....

Xcel Energy (in MN)

RES Target/Deadline: 30% by 2020

Note: Xcel may not sell RECs to other MN utilities until 2021

Iowa

RES: Yes, but RE development has surpassed original target

REC Banking Limit: N/A

Percentage of In-State Generation from Wind: 15.4% (2010)

Wisconsin

RES: Yes, adopted in 2006

Target / Deadline: 10% by 2015

In-State Source Requirements: No

REC Banking Limit: 4 years (legislation pending to remove the 4-year limit)

Treatment of Hydro: Original RES legislation capped hydro at 60 MW. On June 7, 2011, the Legislature voted to remove the 60 MW cap after 2015

Percentage of In-State Generation from Wind: 1.5% (est.)

Illinois

RES: Yes, adopted in 2007

Target / Deadline: 25% by 2026

Note: RES procurement applicable only to investor-owned utilities (Ameren and Exelon)

In-State Source Requirements: Yes

REC Banking Limit: No banking

Treatment of Hydro: New hydro not eligible

Prepared by RENEW Wisconsin (June 2011)

Michigan

RES: Yes, adopted in 2008

Target / Deadline: 10% by 2015

In-State Source Requirements: Indirect requirements on Detroit Edison and Consumers Power

REC Banking Limit: 3 years

Treatment of Hydro: New hydro not eligible

Indiana

RES: Yes, a voluntary Clean Energy Portfolio Goal adopted in 2011

Target / Deadline: 10% by 2025

In-State Source Requirements: Yes

REC Banking Limit: Rules not yet adopted

Ohio

RES: Yes, adopted in 2008

Target / Deadline: 12.5% by 2024

In-State Source Requirements: Yes

REC Banking Limit: 5 years

Treatment of Hydro: Eligible



Testimony on *Assembly Bill 146* before the
ASSEMBLY COMMITTEE ON ENERGY AND UTILITIES
September 6, 2011

Julie Voeck

Director, Legislative and Regulatory Affairs – NextEra Energy Resources, LLC

Good morning, Chairman Honadel and members of the Committee. I appreciate the opportunity to testify today on Assembly Bill 146.

My name is Julie Voeck. I am a lifelong resident of Wisconsin and currently serve as the Director of Legislative and Regulatory Affairs for NextEra Energy Resources. I represent NextEra in all regulatory and legislative matters in Wisconsin.

NextEra Energy Resources, a wholly owned subsidiary of NextEra Energy, is the largest wind energy producer in the United States. As a Fortune 150 company, NextEra operates 115 electric-generating facilities in 26 states and Canada, including 80 wind facilities that produce more than 8,000 MW of wind power and represent investments of over \$12 billion. Unlike regulated electric utilities that have a protected customer base and a guaranteed rate-of-return, NextEra Energy Resources competes on cost and quality in the marketplace.

NextEra operates three facilities in Wisconsin... the Point Beach Nuclear Plant in Two Rivers... the Butler Ridge Wind Energy Center in Dodge County... and the Montfort Wind Energy Center in Iowa County.

NextEra's presence in Wisconsin has created or maintained 697 jobs in the state with an annual payroll of \$63 million. Our Wisconsin facilities generate nearly \$400,000 in annual landowner lease payments, \$6 million in annual property tax payments, and \$147.5 million in annual payments for Local Operating Expenses.

NextEra Energy Resources strongly opposes Assembly Bill 146. The legislation would eliminate the current four-year expiration date placed on Renewable Resource Credits (RRCs)

10/10/10

Dear Sir,

I am writing to you regarding the matter of the...

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and allow state energy providers to bank credits in perpetuity. In effect, the bill would eliminate the need – and abolish any incentive – for utilities to invest in renewable energy sources.

In short, AB 146 undermines Wisconsin's Renewable Portfolio Standard (RPS), which was implemented to create investment in renewable energy. And... the current RPS is achieving its intended public policy goals. It has helped Wisconsin develop a diverse energy portfolio that encourages economic development, promotes energy independence and improves energy price stability.

The existing four-year shelf-life placed on renewable credits is an essential component of the current RPS. Without such a mechanism, the RPS will not be an effective policy tool.

AB 146 is being proposed as a means to reduce perceived additional costs associated with meeting the requirements of the RPS standard. Tools already exist within the existing legislation to request a delay from the public service commission to comply with RPS requirements under a number of circumstances including undesirable impacts or excessive rate increases to ratepayers.

With that in mind, NextEra would urge you to oppose AB 146 and allow the Renewable Portfolio Standard adequate time to develop and demonstrate its full economic benefit to the state. This bill would change the rules midstream and bring uncertainty to the renewable energy market in Wisconsin... and uncertainty is the enemy of economic growth.

Simply put, developers will not invest in Wisconsin if the Legislature continues to take a patchwork approach to statewide energy policy.

The wind industry invested sixty billion dollars in the United States over the past five years. In Wisconsin alone, wind energy investment exceeded one billion dollars.

At least 22 facilities in Wisconsin manufacture components for the wind energy industry. Assembly Bill 146 puts these jobs at risk. In addition, hotels; restaurants; transportation companies; general contractors; construction workers; equipment providers and other support services are negatively impacted when you discourage additional development.

Unfortunately, AB 146 makes it clear that Wisconsin is not open for business... at least not for the rapidly growing renewable energy industry.

Renewable energy sources are often – and incorrectly – viewed as inefficient or impracticable. In truth, renewable energy is becoming increasingly competitive and, in certain cases, can be cheaper than traditional fossil fuel energy. For example, the levelized cost of wind is typically less expensive than gas combined-cycle generation.

It's also important to point out that wind is a fuel-free source of energy and is used as a hedge against cost volatility in the coal and natural gas markets. Wind energy can drive down fuel-related costs for ratepayers, especially for a state like Wisconsin that relies heavily on out of state energy sources. According to the *Milwaukee Journal Sentinel*, WE Energies' newest wind energy development will decrease the utility's fuel costs by \$12 million in 2012.

Despite the economic benefits of renewable energy, certain obstacles limit its widespread acceptance. However, effective public policies like Wisconsin's RPS can help eliminate those barriers and promote the development and use of effective renewable technologies.

As you know, public policy is often used to promote economic development. Earlier this year, you and your colleagues passed a *business relocation tax credit* and a *job creation tax credit*. You implemented these policies to spur job creation and economic growth. You can do the same today by simply rejecting AB 146.

I appreciate the opportunity to testify today and would again urge you to oppose AB 146. The legislation would only serve to create regulatory uncertainty, hinder economic development, and increase Wisconsin's dependence on out of state energy sources.



John Muir Chapter

Sierra Club - John Muir Chapter
222 South Hamilton Street, Suite 1, Madison, Wisconsin 53703-3201
Telephone: (608) 256-0565 Fax: (608) 256-4562
john.muir.chapter@sierraclub.org <http://wisconsin.sierraclub.org>

Oppose AB 146, Renewable Energy Credits, Before the Assembly Energy and Utilities Committee, September 6, 2011 at 10:00 AM in 225 NW

Thank you for accepting our comments today. The Sierra Club – John Muir Chapter is made up of 15,000 members and supporters of the nation's oldest, grassroots environmental organization working to promote clean energy and protect water resources in Wisconsin.

The Sierra Club urges you to oppose AB 146. This bill removes the restriction for renewable resource credits that require them to be used within four years of being created. This bill will render our current Renewable Portfolio Standards, created under Act 141, meaningless. Most utilities were already on track to meet the modest goals to derive 10% of their energy from clean, renewable energy by 2015. Now AB 146 will reward the laggards who have failed to put people back to work by investing in cleaner, safer, renewable sources of energy.

If AB 146 is enacted, Wisconsin ratepayers will be forced to pay for utilities to purchase meaningless credits for renewable energy projects that were developed years ago, often in other states. This will completely undermine in-state investments in real clean energy jobs that our state needs more than ever as we work to retire aging coal plants that pump soot, smog, and mercury into our air. At the same time, our neighbors in Minnesota and Illinois are striving to become clean energy leaders as they work to meet more ambitious targets to get 25% of their energy from renewable sources by 2025.

Because renewable portfolio standards don't cause rates to increase substantially, AB 146 will not help ratepayers. A 2008 report by Lawrence Berkeley National Laboratory found that rates have increased less than 1% in 12 states with renewable portfolio standards. Similarly, a 2009 study by the U.S. Energy Information Administration found no rate increase by 2020 and less than a 3% increase in rates by 2025 resulting from a nationwide 25% renewable portfolio standard.

Wisconsin's clean energy future is severely jeopardized by the suspension of uniform wind siting rules, the recent proposal to allow large foreign hydroelectric projects to count towards Wisconsin's RPS, and now AB 146. We've already seen the chilling impact of these short-sighted public policies, with three large wind projects canceling projects this year due to regulatory uncertainty. Gutting the state's RPS with AB 146 will tell wind, solar, and sustainable biomass companies that Wisconsin is definitely NOT "open for business."

AB 146 discourages renewable energy solutions and does nothing to reduce the \$16 billion dollars Wisconsin sends out of state each year on fossil fuels to meet our energy needs. AB 146 will do nothing to create jobs or energy independence in Wisconsin and that is why we are strongly urging you to oppose this bill.

TESTIMONY ON BEHALF OF
We Energies
Joel Haubrich, Manager, State Government Affairs

Assembly Committee on Energy and Utilities

Tuesday, September 6, 2011
10:00 AM
225 Northwest, State Capitol

Assembly Bill 146

Relating to: use of renewable resource credits to comply with renewable portfolio standards.

By Representatives Severson, Honadel, Petryk, Klenke, T. Larson, Bernier, Brooks, Jacque, Kapenga, Knudson, Kooyenga, Krug, LeMahieu, Litjens, Rivard and Spanbauer; cosponsored by Senators Cowles, Moulton and Wanggaard.

As already mentioned **the RPS** requires electric providers to meet a gradually increasing percentage of their retail sales with qualified renewable resources to hit 10% by 2015.

As part of the RPS, electric providers can create renewable resource credits that may be used, sold or purchased to help comply with an RPS. A restriction on the credits is that after the fourth year after which the credit is created it is retired and cannot be used.

AB 146 eliminates that restriction. We Energies supports AB 146 and urges its passage.

By eliminating the four-year shelf life on renewable credits, energy providers may save customers money in complying with the RPS and obtain a modicum of flexibility to meet the terms of the RPS.

In its 2010, We Energies saw an increase in renewable sales over the last few years that came from our 145 megawatt (MW) Blue Sky–Green Field wind project that was completed in 2008, customer distributed generation buy-back programs, and purchase power agreements (PPA) from independent power producers (IPP).

Last year, We Energies produced over 927,000 MWh of renewable energy. Roughly 333,000 MWh of hydro, 373,000 MWh of wind, 220,000 MWh of bio gasses and 1,200 of solar. Many of these renewable were banked and we used credits that we had banked over the last four years.

As part of our compliance strategy, the company purchased RRCs from other utility providers to account for about 15% of our renewable energy portfolio for 2010. We Energies will continue to consider purchases of RRCs as we will continue to pursue renewable energy from Independent Power Producers and construction of new generating facilities.

To meet its 10% percent RPS percent requirement in 2015, We Energies will finish construction of the 162 MW Glacier Hills Wind Park in 2011. We are also building 50 MW Rothschild biomass facility, outlined initial plans to build up to 7.5 MW solar, and will procure purchased power agreements and RRC with renewable companies as needed. **All these investments in renewable power total \$1 billion dollars. They are an important part of our generation fleet and business.**

To maintain compliance beyond 2016, additional resources will need to be added to the company's generating portfolio consisting of the equivalent of 400 megawatts of wind generating capacity. These additional resources could be in the form of owned generation or purchases. **Removing the shelf life for renewable credits may help us comply around the margins with the RPS but will never eliminate the need to add new renewable generation. As mentioned the RPS is based on electric sales and load and we firmly believe that it will continue to rise during this decade.**

We Energies supports AB 146. Renewable credits were designed to reward early action by utilities and provide flexibility and customer savings while striving to comply with the RPS. AB 146 furthers those goals.



WISCONSIN FARMERS UNION



Assembly Bill 146: Devaluing the Renewable Energy Portfolio Standard

Assembly Bill 146 would seriously diminish the existing state Renewable Energy Portfolio Standard. The practical effect of the bill would be that renewable energy markets would become more volatile, and very few new renewable energy projects would be constructed in Wisconsin.

Background on Renewable Energy Purchasing Requirements for Utilities

Under current law, each electric utility must purchase a certain percentage of its power from renewable sources each year. Even though this Renewable Portfolio Standard (RPS) is calculated on an annual basis, utilities are allowed to “bank” renewable energy credits for up to four years. Rather than having to buy exactly 10 percent renewables each year, utilities can choose to purchase extra renewable credits in one year, and then redeem those credits up to four years later in order to meet their renewable energy requirements.

The current policy strikes a balance between giving utilities some flexibility in when they purchase renewable credits, but also encouraging new renewable energy development by limiting the banking of large numbers of credits for use in future years. Nearly all states with an RPS limit renewable credit banking through an expiration date or some other mechanism.

While the data is mixed, the majority of studies show that Renewable Portfolio Standards do not cause significant increases in energy rates for consumers. (See attached article.)

Proposed Measure would Diminish Utilities’ Annual Renewable Requirement

Assembly Bill 146 would allow utilities to bank renewable energy credits without any time limit whatsoever. This means that a utility could meet its annual renewable requirement by using credits for renewable energy that was generated years, or even decades, earlier. This defeats one of the major purposes of having a renewable portfolio standard, which is to ensure that there will be a reasonably steady market for renewable energy over the course of time. If there is one thing that farmers don’t need, it is energy markets that are even more volatile than they are now.

Wisconsin Farmers Union urges Assembly members to oppose Assembly Bill 146.

For more information, contact:

Kara Slaughter, Wisconsin Farmers Union Government Relations
608-514-4541 / kslaughter@wisconsinfarmersunion.com

Just how costly is renewable energy?

Article by: DAN HAUGEN , Midwest Energy News

Updated: May 19, 2011 - 6:45 PM

Studies vary, but most show there's not much of a rate impact in meeting state renewable energy goals, such as Minnesota's.

When Minnesota passed one of the nation's most aggressive renewable portfolio standards in 2007, Minnkota Power wasted no time ramping up its wind capacity. Believing wind power would get more costly, the Grand Forks, N.D., co-op locked in contracts to cover its needs for 25 years.

Then the economy went south, dragging electricity demand and wholesale prices down with it. Minnkota, along with the 11 rural electric distributors it serves in North Dakota and northwest Minnesota, found itself stuck with more wind power than it needed. It's been selling the excess at a loss ever since, making up the difference with a half-cent per kilowatt-hour surcharge on customers.

The fees have helped fuel the perception, particularly among rural electric co-ops, that Minnesota's renewable energy policy is driving up the price of electricity. Others, though, including state energy officials, point to the utility's unusually large and early hedge on wind prices as a primary cause of its recent losses.

The case illustrates just how complicated it can be to calculate the impact of state renewable mandates on electricity rates. Variables such as fuel prices, wholesale rates and energy demand are in constant flux, and decisions about what and when to buy can affect the return on capital investments.

With many states' renewable targets ramping up right as their economies struggle to rebound from the recession, politicians are scrutinizing costs of the mandates and requesting information about how they affect electricity rates.

They're not likely to find a simple answer.

However, the most comprehensive studies to date and the experience of utilities so far suggest that, by and large, renewable portfolio standards haven't had a significant impact on customers' bills. Still, there's room for more study, and in some states, including Minnesota, there remains relatively little data about the ratepayer impact of the standards.

The Minnesota Chamber of Commerce has been pushing for legislation that would require utilities to include data in their biennial resource plans about the cost of complying with the state's renewable standard, which calls for 25 percent of electricity to come from renewable sources by 2025.

The legislation appears likely to pass because both supporters and critics of the state's policy believe a cost study will provide evidence that supports their position. The Chamber says it is neutral on the issue.

"We get folks who call us and say, 'Hey, my utility rate is going up. How much of this is [because of] the renewable energy standard?'" said Bride Seifert, the Chamber's energy policy manager. "We'd like to know the answer, because there's 20 studies on each side of the table."

One of the larger reviews of renewable portfolio standards was a 2008 report from the Lawrence Berkeley National Laboratory that looked at data on a dozen state renewable policies enacted before 2007. The estimated impact on electricity rates varied by state, but it was a fraction of a percent in most cases and just over 1 percent in Connecticut and Massachusetts. "There is little evidence of a sizable impact on average retail electricity rates so far," the report concluded.

Study co-author Galen Barbose said they are collecting data for an updated report. So far he hasn't seen any information to suggest their conclusion will change much.

A 2009 study by the U.S. Energy Information Administration modeled the potential impact of a 25 percent nationwide renewable electricity standard. It, too, noted that rate impacts would vary by state, with renewable-rich regions like the Great Plains and Northwest meeting targets more easily. Overall, it projected no impact on rates through 2020, followed by a less than 3 percent increase by 2025. By 2030, however, it projected little difference in rates with or without a national renewable mandate.

Utilities' experiences vary

Xcel Energy, the state's largest utility, has come up with its own estimate: 0.3 cents. That fraction of a penny is the difference Xcel forecasts between its projected per-kilowatt-hour energy price in 2025 under its proposed wind expansion plan compared with a hypothetical scenario in which it stopped adding new wind capacity after 2012.

Xcel spokesman Steve Roalstad called the impact so far insignificant.

Otter Tail Power, which serves about 130,000 customers in North Dakota, South Dakota and western Minnesota, would have added wind capacity regardless of Minnesota's renewable standard, said Todd Wahlund, vice president for renewable energy development. That's because it's been the most economical option.

"Absent these wind resource additions, an alternative resource would have been needed, and from our analysis, other options would have been higher-cost," Wahlund said.

Minnesota Power, in Duluth, was among the first utilities to cite complying with the state's renewable standard as a factor in a rate increase case with state regulators. But spokeswoman Amy Rutledge said renewables accounted for only a small portion of the hike.

"Our rate increases have been largely the result of large environmental retrofit projects to reduce emissions at our largest generating facilities," Rutledge said.

Long-term benefits

Warren Leon, project director for States Advancing RPS, an association for state policymakers who work on renewable mandates, says states should be asking about more than costs: "Are there benefits ... that also deserve to be studied, even though they are harder to pin down?"

Supporters say there are environmental and job-creation benefits, which, as the legislation is currently written, wouldn't be a part of the reporting process proposed by the Minnesota Chamber.

Meanwhile, Minnkota is paying a premium it can't recoup through sales as the cost of new wind generation has continued to go down, in large part because of weak demand during the recession. Minnkota is now selling its wind power for 2 cents less per kwh than it's paying for it, and it's assessed the loss to customers in the form of a surcharge.

A December report from the Minnesota Office of Energy Security said Minnkota's "dilemma" should serve as a caution about the risks of overbuilding renewable capacity. "It remains to be seen how Minnkota's customer-owners ultimately will be affected," the report notes.

Minnkota spokesman Kevin Fee is confident. "In the long run, we think it's going to pay off."

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